

# Union Cabinet approves Employment Linked Incentive Scheme to create jobs in manufacturing sector

The Union Cabinet approves Employment-Linked Incentive scheme with an allocation of ₹99,446 crore to support employment generation

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Ashwini Vaishnaw, Minister of Railways, Information and Broadcasting, during cabinet briefing at National Media Centre in New Delhi on July 01, 2025. Photo: Shashi Shekhar Kashyap/The Hindu

The Union Cabinet on Tuesday (July 1, 2025) approved an **Employment-Linked Incentive (ELI) scheme** with an allocation of ₹99,446 crore to support employment generation, primarily in the manufacturing sector. The government said the scheme

would enhance employability and social security across all sectors, with special focus on the manufacturing sector.

“Under the scheme, while the first-time employees will get one month’s wage [up to ₹15,000], the employers will be given incentives for a period up to two years for generating additional employment, with extended benefits for another two years for the manufacturing sector,” Union Information and Broadcasting Minister Ashwani Vaishnaw told reporters after the Cabinet meeting. While the industries have welcomed the announcement, trade unions have looked at it with suspicion.

Prime Minister Narendra Modi said the ELI Scheme would boost job creation. “The focus on manufacturing and incentives for first-time employees will greatly benefit our youth,” he said. Labour Minister Mansukh Mandaviya said the scheme was aimed at providing jobs for 3.5 crore youth. The government said in a statement that the ELI Scheme was announced in the Union Budget of 2024-25 as part of the Prime Minister’s package of five schemes to facilitate employment, skilling and other opportunities for 4.1 crore youth with a total budget outlay of ₹2 lakh crore.

“With an outlay of ₹99,446 crore, the ELI Scheme aims to incentivise the creation of more than 3.5 crore jobs over two years. Out of these, 1.92 crore beneficiaries will be first-timers, entering the workforce. The benefits of the scheme will be applicable to jobs created between August 1, 2025 and July 31, 2027,” the release said, adding employees with salaries up to ₹1 lakh would be eligible for the scheme.

“The first instalment will be payable after six months of service and the second instalment will be payable after 12 months of service and on completion of a financial literacy programme by the employee,” the release added. “The government will incentivise employers, up to ₹3,000 per month, for two years, for each additional employee with sustained employment for at least six months. For the manufacturing sector, incentives will be extended to the third and fourth years as well,” the release added.

Puneet Gupta, Tax Partner, Ernst and Young, India said the initiative marked a significant milestone in the journey towards a more robust and inclusive workforce.

Meanwhile, Centre of Indian Trade Unions (CITU) general secretary Tapan Sen said it was a deceptive scheme for transferring public funds to the employers’ class. He asked the working class to reject such schemes.

